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THE ASSIGNATS:

A STUDY IN THE FINANCES OF THE FRENCH REVOLUTION.

THE story of the assignats, used as money and affording the chief financial resource of the French Republic during the years from 1792 to 1796, is well known. The account is given in all general works upon the French Revolution, and has been the special subject of a great number of treatises. To go over the ground once more, however, and mark the successive phases of the biggest experiment with paper money ever tried is a task not devoid of interest; the experience of the past is the lesson of the future.¹

I.

INTRODUCTORY.

During the second half of the reign of Louis XV., and under Louis XVI., the finances of the kingdom became demoralized; as Necker pointed out in his report, there had been a deficit every year. Calonne during his ministry, owned to a deficit in 1787 of one hundred and twenty-five million francs.

¹ Among other works which may be consulted are *Les Finances de la France sous la Révolution*, by E. LEVASSEUR (published in the reports of the Academy of Moral and Political Sciences, 1866 and 1867); the *Procès Verbaux* of the Assemblée Nationale Constituante, the Assemblée Legislative, the Convention Nationale, and the Conseil des Anciens; *Les Finances de la République Française en l'an IX*, by RAMEL; *L'Histoire de la Révolution Française*, by THIERS; *Les Finances de l'Ancien Régime et de la Révolution*, by RÉNÉ STOURM; the article "Budget," by BOILEAU, in the *Dictionnaire des Finances*.

The impossibility of making both ends meet in the public finances led to the convocation of the States-General in 1787. The King called this body together to carry out a financial reform; the States-General resolved itself into the Constituent Assembly and began a revolution, by the overthrow of feudal rights and privileges of all sorts, and by declaring the double principle: equality and liberty in civil matters, sovereignty of the nation in the political order. This legal revolution took form in a great number of special laws and in the Constitution of 1791.

A reform of the imposts and the payment of the old government debts and of the debts contracted during the reform itself followed in the course of this revolution. The new taxes, however, could not immediately fill an empty treasury, and owing to the fear inspired in owners of capital by the Revolution, Necker, on entering upon his second ministry, could not obtain the loans which he had made use of at the outset.

Prior to the Revolution the clergy, as a body, held landed property of great extent. This body had now lost all its privileges and so ceased to exist, and its properties were declared to be forfeited to the state; accordingly, on the 2d November, 1789, the Constituent Assembly issued a decree to the effect that "all ecclesiastical properties are at the disposition of the Nation, to be used as may seem best to defray the expenses of religion." These lands were added to the crown lands already declared public property. The government thus became the holder of real property valued at not less than from two to three milliards of livres, a colossal sum at that period; on the other hand it had a great debt to pay, and, therefore, publicists thought that it would be just, and at the same time easy, to use the one for paying off the other.

II.

THE CREATION OF ASSIGNATS BY THE CONSTITUENT ASSEMBLY.

Accordingly, on the 19th December, the Assembly so altered a proposal offered by Minister Necker—a proposal to use the proceeds of sales of the public lands to reimburse the Caisse

d'Escompte for advances made by it¹—as to authorize the government to offer for sale ecclesiastical property to the value of 400 million francs, and to issue immediately assignats of a denomination of 1000 livres, bearing interest at five per cent. These assignats, when paid out by the Treasury to its creditors, were expected to be partly turned in immediately in payment for land purchased, partly redeemed in specie out of a fund realized from sales of land; according to these two hypotheses assignats issued would be retired from circulation through the sale of land, and cancelled as fast as they were redeemed. The whole fundamental idea of the theory of the assignats was embodied in these two suppositions.

No scheme for the sale of lands, however, was adopted, and so no lands were sold. Many deputies in the Assembly looked with chagrin upon the alienation of ecclesiastical properties. The municipality of Paris, in its enthusiasm for the Revolution, felt no such sentiment, and offered to buy *en bloc* 200 millions of these estates, to be paid for in obligations maturing at different times within five years.

“What resource is left to us?” said Thournet; “the issue of assignats and that alone. But no one wishes to succeed immediately to the possessions of the church. The only way to give value to your assignats is to sell them in large quantities. To whom? To municipalities, who can sell to individual buyers.” This reasoning won the approval of the Assembly, which at once (17th March, 1790) determined that properties worth 400 millions should be “immediately sold, and given over to the municipality of Paris and to other municipalities of the kingdom, and that the municipalities should be bound to put the said properties on sale whenever a purchaser presented himself and offered to pay the price assessed by experts.” But muni-

¹ PÉTITION de VILLENEUVE says of this proposal: “Have we not the power to create a representative currency according to our needs? Have we not ourselves the power to impose throughout the empire the necessary confidence? We have at our disposal the ecclesiastical funds and lands? Let us create sight obligations; let these bear interest; let us guarantee redemption. Can the Caisse d'Escompte offer such security for its paper? Thus let us pay to real creditors the interest which would have been paid to a bank.” (Speech by Pétion de Villeneuve, 10th December, 1789.)

pal paper could not become a national currency; the deficit for the year has been estimated at 300 million, exclusive of 170 million loaned the Treasury by the Caisse d'Escompte, whose notes were at that time legal tender in Paris.

The discussion began again, although the deputies occupying the Right protested against the creation of a paper currency, both because they held paper money to be dangerous in itself and because in this instance it was to be secured by sale of the public domain. On the 17th April, 1790, the Assembly decided that the state should issue assignats, which should be "legal tender between all persons in all parts of the kingdom, and bear interest at three per cent." "Has gold a more real value than property to be sold? a more real value than paper secured by that property?" asked Pétion. "If acceptance of assignats is voluntary, cupidity will threaten them with a considerable depreciation. As legal tender they will be distributed in many hands and so will find defenders. The benefit to be derived from assignats will be a stable circulation, a rise of prices by increasing the number of buyers, a revival of commerce and manufactures."

Assignats began to circulate.¹ They at once declined by five per cent.; early in September the four hundred millions voted by the Assembly had been exhausted,² because taxes, the Treasury's ordinary source of revenue, no longer yielded any income. Yet the Assembly hoped to be able to discharge the payable debt, which some estimated to be 1,300,000,000 and others over 1,800,000,000 livres.³ Hence renewed debates in the Constituent

¹ At first, promises to pay assignats; later, August 10, 1790, assignats in denominations of 1,000, 300, and 200 livres.

² According to a report by Montesquiou the deficit for ordinary expenditures in 1790 appears to have been about 350,000,000.

³ This payable debt (1,300,000,000 to 1,800,000,000 livres) came from compensation for places and offices suppressed by the Assembly, from redemption of tithes alienated in perpetuity, from debts of the clergy assumed by the government, and from arrears of the Treasury—arrears in rentes of 1788 being paid in 1790, a delay of two years. The permanent debt, life and other annuities, amounting altogether to about two and one-half milliards, did not figure as a portion of the debt immediately payable (*dette exigible*).

Assembly during September. This was the most serious of all their discussions, the great battle which ran through eight sessions, and finally was settled less upon economic than upon political considerations. Those who opposed paper money held it to be a form of credit which could be kept at par with specie only so long as it could be unquestionably and immediately exchanged for coin; that the mortgaging of real property does not make redemption either sure or easy; that the holder of an assignat is not necessarily, and generally cannot be, a purchaser of land; that no one could foresee the degree of depreciation which would follow before the paper was absorbed by the sale of the lands, nor the consequent rise in prices, nor the loss to creditors.

Mirabeau, who first brought up the question, won over a majority of the votes by his powerful eloquence. "To fear," said he, "that the national properties will not sell is a crime against the country. It is the belief that the sale of the national properties will be certain and immediate which alone can assure success to our project for liquidation by means of assignats, since there is no other resource than such a sale for the salvation of the state. . . . We have sworn to achieve and to enforce our constitution; which means that we have sworn to employ the proper means to that end; that we have sworn to stand by the decrees dealing with the public properties, to persevere to the end and hasten the execution of those decrees; an oath of loyalty is included in the oath we have taken; there is no true citizen, no good Frenchman, who is not bound to give his support here. If only the public lands are sold; if only they are taken up freely throughout the country, France is saved!"

"Our assignats are a new creation and correspond to no old term, and we shall be no less inconsistent in applying to our assignats ideas commonly associated with paper money than our fathers were unwise in esteeming Law's paper money of equal value with gold and silver. . . . The metals of which money is made up are employed only in the secondary arts, while the property upon which the assignats are based is the fundamental

source of all production. I ask, then, all philosophers, all economists, all nations of the earth, Is there not more real value, more true wealth in the material represented by our assignats than in the material adopted to serve as money? . . . Here is the place to expound that maxim of finance so hackneyed and so inadequately expounded: *paper*, it is said, *drives out specie*. Very well, then, let us have specie, and we shall not ask for paper. Assignats have not caused scarcity of coin; scarcity already existed; they have lessened its effects. Create a greater quantity of assignats, issue small notes, and there will no longer be a scarcity. Have no fear of an excess. Industry needs money."

"I can hear Americans saying to the French: 'During our Revolution we created an unsound paper currency, yet that paper saved us; without it our Revolution had been impossible. And you who have also a revolution to carry through; you who along with great needs possess great resources; you who have still more domains at your disposal than you have assignats secured by those domains; you who, in creating a sound paper currency, do not create a debt, but discharge one; you will not hesitate to commit yourselves to this measure. You who have commenced your career like men will not finish it like children!'"

On the 29th September, 1790, the decree was passed which authorized an issue of assignats to the amount of 1,200 millions (including the 400,000,000 already authorized) — non-interest bearing money. An explanatory decree of the 13th December declares that as the notes are payable to the bearer they should not be endorsed. From this time on France had a paper currency. Nothing was wanting; there was forced circulation, absence of interest, circulation from hand to hand, an enormous issue, which was more than half the entire currency of France as estimated some years before by Necker (who had not been minister since the 3d September).

By the end of the year 1790, Deputy Anson, chairman of the Committee on Finance, announced that the exchange of the old crown properties for bank notes had been effected, and that already they had burned the first million of assignats paid into

the Treasury. "By the first of next month," he added, "no nation in Europe will be prompter in its payments than the French nation." Fond hopes—never to be realized.

III.

IMMEDIATE EFFECTS.

Why throw into circulation in this way more than a thousand million livres of fictitious money? Might not the interest on claims already due have been paid, and the principal have been funded for gradual payment at a quieter period? and would it not have been wiser to have used paper money to defray necessary running expenses alone? What a delusion to believe that paper issued in such quantities could be kept at par with gold and silver! It is at the beginning, at the moment when a government has still to make its choice of means, that it is of importance to have a clear insight into principles and an ability to foresee results in matters of finance. Once entered on the wrong path a government can seldom turn back; it is more difficult to stop half way down the hill than to avoid starting.

The Constituent Assembly either would not or could not look ahead; political interests prevented their seeing the economic results.

These results began to work out at once, and in the years which followed manifested themselves in fatal succession, as it were, and with cumulative force.

Paper drives out silver, it had been said. That was what happened. A scarcity of gold and silver set in, and by September, 1791, at the time the Constituent Assembly yielded its authority to the Legislative Assembly, the assignat had depreciated 18 or 20 per cent.

As there were no notes of a lower denomination than 50 livres, no subsidiary money existed; Paris and more than half the provincial cities and market towns, and private parties even, issued promissory notes which, during 1791, circulated everywhere, but caused much annoyance. The Constituent Assembly took the matter in hand, and, by a decree of the 6th May, 1791,

ordered an issue of 100 millions in assignats of low denominations and 15 millions in copper sous. Some exchange bureaux were set up; these were not easy of access; confusion ensued and gave a new impulse to speculation. In September the Assembly, anxious to facilitate the payment of wages of laborers, authorized the Commissaries of the Treasury to open an office at Paris where manufacturers might have a chance to exchange assignats of high denominations for five-livre notes.

By June the 1200 millions had been nearly all paid out in liquidations, and payments on the debt and for running expenses; and it became necessary to authorize a further issue of 600 millions.¹

IV.

THE LEGISLATIVE ASSEMBLY.

The Legislative Assembly found itself still more completely destitute of resources than the Constituent Assembly had been. It issued assignats in denominations as low as ten sous, and although it remained in session but one year it increased the circulation by a succession of new issues to two milliards.²

¹ The account presented by Montesquieu toward the end of the session of the Constituent Assembly (1st August, 1790)—the figures of which were disputed in the Assembly—made the following statement :

| | Livres. |
|--|---------------|
| Assignats authorized (17th April, 29th September, 1790; 19th June, 1791) | 1,800,000,000 |
| Interest coupons on the first issue of assignats..... | 1,656,468 |
| | 1,801,656,468 |
| Of this sum there had already been expended..... | 1,283,273,333 |
| Leaving | 518,383,135 |
| Assignats returned into the Treasury (of which 215,000,000 had been cancelled) | 221,231,831 |
| It appears, therefore, that there were in circulation..... | 1,062,038,502 |

² The Assembly understood by a circulation of two milliards an actual circulation to that amount; in other words, that the government might, in addition to the new issues of assignats, reissue assignats returned to the Treasury, so long as the total amount of assignats outstanding should not exceed two milliards. At this time, however, expenses amounted to about eighty millions a month; receipts from customs, from sales of public property, etc., to about thirty millions. The thirty millions were expended and an additional issue of fifty millions made necessary. But what part did the collateral-security theory play in these reissues? and the theory of absorption of the assignats by sale of the lands?

Accounts at the Treasury were not kept with any more accuracy during this year than they had been under the Convention, and no one knew exactly what was the amount of the receipts and of the expenditures.¹

But it may be stated that the Legislative Assembly paid out in one year more than a thousand millions for ordinary expenses of the civil service, for discharge of the payable debt, and for carrying on the war. It is to be added that the assignats, which had depreciated by about 18 per cent. at the time the Assembly came into power, had depreciated by 44 per cent. at the time the Assembly gave place to the Convention; therefore the coin value of the sum expended by the Assembly was about three-fourths of a milliard.

V.

THE NATIONAL CONVENTION.

The Convention proclaimed the Republic. But from the first day the Convention found itself confronted with an empty treasury, with taxes which remained for the most part unpaid, and with an administration not so organized as to be able to enforce collection, with the liquidation of the affairs of the old regime still unachieved, with a foreign war requiring the active service of five armies, and presently a civil war. Absorbed in its own internal dissensions, it had no time to think of putting financial affairs in order; it did, however, take important and praiseworthy action for the unification of the various obligations of the government by creating the *Grand-livre* (a list of the creditors of the State). It lived upon the only resource at hand, a resource left it by previous assemblies—the assignat.

But the Convention was wrong in trying to identify the issue of assignats with the Revolution itself and to enforce it with the Terror, as it sought to enforce civism. Hence injustice and acts of violence.

¹ It appears from a statement made by Cambon in the National Assembly that from the 1st of January to the 22d of September, 1792, there was turned into the Treasury 911,000,000 livres in assignats, and of this amount there was then remaining in the Treasury but 56,000,000. The taxes for 1792 had not at that time been collected.

At the suggestion of Cambon "a forced loan of one milliard from rich citizens" was decreed (Prairial [May], 1793), upon the condition that the certificates of this loan should be used only in the purchase of public lands. This was an injustice; it scarcely affected the circulation, inasmuch as but a small portion of the loan could be collected. Assignats bearing the royal stamp, that is to say, those issued before the declaration of the Republic, fell in value a little less than the rest;¹ the speculators were distrustful. This distrust so irritated the Convention that, without in any way securing holders against loss, it demonetized the 558 millions of royal assignats still remaining in the hands of the public,² of higher denominations than 100 livres, on the pretext that only aristocrats could hold assignats of high denominations. The currency was thus relieved to the extent of half a milliard, but only at the cost of a disgraceful repudiation.

The opening of the Grand-livre, although an excellent measure in other respects, did not attract many assignats for conversion into rentes.³

On 22nd September, 1792, the date of the declaration of the Republic, the total assignats issued amounted to 2589 millions, the total retired to 617 millions; there remained in circulation 1972 millions. On 11th Brumaire of the year IV (2nd November, 1795), the day following the close of the Convention, the total issue aggregated 23 milliards, and there remained in circulation 19.5 milliards.

These are the figures given by Ramel.⁴ They are perhaps too low. A report to the Conseil des Anciens states that in November, 1795, the total assignats printed amounted 29,430

¹ Eight or ten per cent. less.

² There had been 1,440,000,000 issued, but about 900,000,000 had been received back.

³ Cambon, who reported the project, estimated the total assignats outstanding in August, 1793, at 3,217,000,000; he estimated that of this sum one milliard would be absorbed by the forced loan, that one milliard would be subscribed for rentes in the Grand-livre, and that one milliard would remain in circulation as money.

⁴ Table given in Ramel's work, *Les Finances de la République Française en l'an IX*. Ramel was Minister of Finance in the year IV.

millions, of which five milliards were still in the treasury and 19 in circulation. The remainder had been cancelled.

This immense issue of at least 18.5 milliards, nominal value, an average for three years of more than six milliards a year, began in a series of war measures authorizing issues based upon the assertion of those introducing the measures that the pledge of the public domain, which grew constantly through the confiscation of the properties of the *émigrés*, more than covered the debt created by the issue. Later, to facilitate matters, issues were made simply at the discretion of the Committees of Finance and of Public Safety.

To the mass of assignats issued by the government must be added a mass of counterfeit assignats thrown into circulation, the product of a shameless brigandage, which added to the discredit of the paper.¹

It is not surprising that such an excessive supply resulted in a lowering of the value of the assignat and an inflation of prices. Although the law decreed the penalty of six months' imprisonment for the first offence, of twenty years' imprisonment for the second (1st August, 1793), and afterward (20th Floreal—10th May, 1794) of death, for the tendering or receiving of assignats at less than their face value; still the assignats declined by 60 or 70 per cent. during the first half of the year 1794. It is clear that the Terror violated all economic laws. By December, 1794, at the close of the Reign of Terror, the assignat had lost 80 per cent. of its original value. At the close of the Convention an assignat of 100 livres exchanged on the Bourse for 2 livres, 1 sou, 3 deniers in coin, a depreciation of 98 per cent.²

The Convention tried to stop the rise in prices of goods by fixing a "maximum." Schedules were prepared covering all articles and affixing the prices of 1790, increased by one-third, to

¹ It happened one day that the Army of the North seized at Ostend a chest containing 2,270,000 livres in assignats which had been sent from Germany to the Paymaster General. Napoleon afterward adopted the idea and issued counterfeit notes in Germany.

² According to Ramel. As compared with gold the depreciation was still greater, for the louis d'or (24 livres) was worth 2,500 livres in assignats.

which was added a further increase of five per cent. for wholesale and of ten per cent. for retail trade; the penalty of death was decreed against any merchant charging higher than schedule prices. But at this point the Reign of Terror failed in great part, for it was unable to habituate the business world to parting with a hundred livres' worth of goods for 100 livres in paper money which would exchange for less than 60 livres in coin. The attempt to enforce the law only increased fraud, discouraged honest trade, and brought on a dearth, because owners hid their wares.

At Paris it became necessary to deal out rations to the people. Each inhabitant presenting a ticket issued by the commune—*bon*—was entitled to two ounces of bread and a measure of rice every day; but each one must fetch his own portion; applicants formed in lines before the doors of butchers' and bakers' shops; they sometimes passed whole nights in waiting, and when the bread gave out before all had received their portion, the crowd broke out in imprecations.

After the fall of Robespierre, and with him the Reign of Terror, it became impossible to retain the law fixing a "maximum"; it was charged with having killed commerce and prostrated agriculture. The law was repealed 2nd Nivose (22nd December), 1794.

The maximum was not the only evil from which agriculture and commerce suffered. The sudden fall in value of the assignats, another consequence of the close of the tyranny of the Terror, forced the Convention to increase the issues; from January, 1794, to October, 1795, more than 12 milliards were created. Hence the fall of 98 per cent. which we have noted. What could be done with a money so debased? All social relations based on money values were disturbed.

In Messidor of the year III, a pound (more exactly a *livre* or 1 lb., 1 oz., 10¼ dr. avoirdupois) weight of bread cost 16 livres in assignats, in Brumaire of the year IV, 20 livres; a bottle of brandy was worth 30 livres in Messidor of the year III, 70 in Vendemaire of the year IV, 100 livres one month later; a turkey

and two pullets were worth 400 livres in Vendemaire of the year IV; and eight months later, in Prairial, under the Directory, the turkey rose in value to 900 livres, and a bunch of matches to ten livres.

VI.

THE END OF THE ASSIGNATS UNDER THE DIRECTORY.

The Directory, which succeeded the Convention, had, from the first, but one idea with regard to the assignats: to rid itself as soon as possible of a currency which had lost almost all value, and which crippled the administration no less than it crippled commerce. "All expedients fail," wrote the Directory in its first message to the Council of Five Hundred; "a most appalling catastrophe threatens to destroy the Republic altogether unless some active and powerful remedy shall change, as it were in a moment, the aspect of affairs." A forced loan was proposed and voted, but proved ineffective, as it had been under the Convention. Other projects failed. The system of assignats was condemned, however. "No measures can relieve the financial straits of the government," Eschasseriaux declared to the Conseil des Anciens. "The issues of assignats were to remedy all disorders and cover all expenditures; the ministry of war has become an abyss." On 1st Nivose of the year IV (22nd December, 1795) the Conseil des Anciens resolved that the amount of assignats printed should be raised as soon as possible to forty milliards, including all that might at that time be in circulation, and that immediately afterward the plates and stamps should be publicly broken, and that the assignats should be burned as fast as they were paid back into the Treasury. The Conseil des Anciens approved it, and the decree was put into execution.

In fact, on the 30th Pluviose of the year IV (18th February, 1796), at nine o'clock in the morning, with a great crowd of people looking on, all the tools which had been used in printing assignats were brought to the Place Vendome; the plates and stamps were broken, and reams of paper and 1167 millions of assignats burned. Some days later Camus announced to the

Assembly that the total issue of assignats since the month of April, 1790, had been 45,481 millions; that more than six milliards had been cancelled, leaving in circulation 39,287 millions.

"That is a mistake," cried one of the deputies. So much obscurity surrounded the matter that the deputies who gave it the most attention were not themselves agreed upon amounts of the issues. Ramel, however, minister at that time, gives figures agreeing pretty closely with those given by Camus.¹ From his figures it appeared that the Treasury had paid out, all told, forty-eight and one-half milliards in assignats, nominal value—a number which appears incredible at first sight. But when one reflects that the last quotation on the Paris Bourse (21st Prairial of the year IV) was 3 sous 6 deniers in coin for an assignat of 100 livres, it appears that the 35,420 millions outstanding at that date² represented only 62 million francs, a sum altogether insufficient for the purposes of exchange, spite of the depressed state of trade.

To the assignats thus distributed the Government afforded a refuge by receiving them in payments on the forced loan at the

| ¹ Issues authorized by : | | Millions of Livres. |
|--|-------|---------------------|
| The Constituent Assembly | 1,800 | |
| The Legislative Assembly | 900 | |
| The Convention | 7,178 | |
| Total | | 9,878 |
| Issues made on the simple resolutions of the Convention and the Directory without publicity..... | | 35,603 |
| Total | | 45,481 |
| Deduct : | | |
| Amount in the Treasury..... | 2.6 | |
| Employed in exchanges..... | 1.0 | |
| Total | | 3.6 |
| | | 45,478 |
| Add : | | |
| Reissued out of the 12,743,000,000 paid into the Treasury, about.... | 3,000 | |
| | | 48,478 |

² These 35.5 milliards not paid into the Treasury were not all in circulation; some were lying in the Treasury bureaus. Ramel thinks that the actual circulation never exceeded 30 milliards.

rate of 100 livres in assignats for one livre of the loan. It provided a second refuge in permitting them to be exchanged for land scrip (*mandats territoriaux*) at the rate of 30 livres in assignats for one livre in land scrip. A law of 9th Messidor of the year IV announced that assignats of higher denominations than 100 livres which had not been exchanged for land scrip by the 30th of the month would be cancelled. Small assignats, of five livres and upward, were put upon an equal footing with the land scrip, that is, they might be used in direct purchase of public domain at one thirtieth of their face value, and at the rate of 100 for one in payment of contributions still unpaid until 1st Germinal of the year IV.

Henceforth the assignats were nothing more than waste paper, repudiated by the State as they were rejected by commerce; since 21st Prairial of the year IV they were not quoted on the Bourse and had ceased to circulate. It was stupendous bankruptcy.

VII.

THE LAND SCRIP.

On the 17th Ventose of the year IV the Directory had obtained authority to place on sale for the retiring of assignats national property to the value of one milliard, and to hold 800 million more at their disposition to defray the cost of the war. A second law, of 20th Ventose, placed immediately on sale the 1,800 millions' worth of property, and authorized the Directory to print, for the use of the Treasury, 600 millions in land scrip. A holder of this scrip might present it in any department where he wished to purchase landed property; the value of the land was to be determined by two experts, one chosen by the department, the other by the purchaser, and an immediate deed of sale given, the purchaser paying one-half down in scrip and the remainder within one month. On the 28th Ventose a third law increased the amount of scrip to be created from 600 millions to 2,400 millions, in coupons of denominations from one livre to 500 livres. While awaiting the printing of the scrip the Directory was authorized to issue promises to pay in scrip.

The land scrip, as we have said, was intended to serve as a means of converting assignats, at the rate of 30 francs in assignats for one franc in land scrip, so that the scrip should come to be the only outstanding paper of the Republic. It might be used in the purchase of public property on a basis of twenty-two times the rental in case of land, and eighteen times the rental in case of buildings. Contracts newly entered into between individuals or with the state were to be paid at par in silver or in scrip. Old contracts made during the period of assignats were to be paid in silver or in scrip but on a scale constructed for that purpose.

"Land scrip," said the Directory, "possesses an advantage which assignats did not have, the lack of which caused the depreciation of the assignats. This quality conferred upon scrip is that of being convertible at any time, without competition, without hindrance, without bidding at auction, by the immediate and incontestable preëmption of that portion of the public domain upon which the bearer has fixed his choice, in any part of the Republic. It is a land bank, whose assets are palpable and notorious, a bank whose notes are convertible at sight, and whose security is fortified by the authority of the law which makes the notes a legal tender." And it adds: "Your fate, O Frenchmen, is entirely in your own hands; if the law dealing with the land scrip is faithfully observed, France will emerge from her revolution prosperous and triumphant; if that law be not respected a profound abyss lies across your path."

The abyss was a reality; and it could not be filled up with land scrip. Neither its pretended easy convertibility, nor its forced circulation, nor the menaces of the government against stock-jobbers, could sustain the scrip.

In Germinal of the year IV, when the promises to pay scrip began to get into circulation, they were at first quoted on the Bourse at 18 francs for a 100 franc note, and the scrip fell even more rapidly than the assignats had done, so that three months later, in Thermidor, it was not worth more than a third of what it had been (5 francs 17 sous). Undoubtedly there was speculation; but the government could not blame the speculators for quot-

ing scrip at 18 francs per 100, for the government had itself fixed the rate of exchange with assignats at 30 to 1, and 3000 francs in assignats was, in Germinal, worth only 12 francs, and the Directory forgot, as the issuers of the assignats had forgotten, that paper which can be exchanged for land, and not coin, is not money. For some months scrip maintained a value of from seven to three francs per 100 francs only because speculators calculated that with 2200 francs in silver they might acquire real estate yielding a revenue of 1000 francs¹—a paying transaction of which some individuals took advantage, but which did not strengthen the credit of the Republic.

The Directory, which had for a time hoped to keep up the value of the scrip by suppression of the assignats, in Messidor (June), 1795, decreed that scrip should no longer be received except in part payment for public property and at the rate of exchange quoted on the Bourse; then that it should not be received at all; then that seven francs in scrip were to be accepted as the equivalent of one franc in silver in payment of taxes. Five months later (13th Frimaire of the year V—December, 1796) it was made receivable for taxes at its market value as quoted on the Bourse; then (16th Pluviose—5th February, 1797) scrip and assignats of denominations below 100 livres ceased to be legal tender. Scrip for 100 livres was worth at that time 20 sous. On the 8th Floreal (28th April) it dropped from the list of quotations, and a decree dated 2d Prairial (21st May) definitively repudiated the 21 milliards of assignats outstanding and the 24,000 million in scrip which had been issued.

VIII.

THE PUBLIC LANDS AND THE PUBLIC DEBT.

The entire body of the public estates had been pledged as security for this paper money. These estates, which had been worth, according to Montesquiou, three and one-half milliards in September, 1791, had been increased, as we have said, by confisca-

¹ When 100 francs in scrip was worth 12 francs in silver, that is, when scrip first appeared, in Floreal of the year IV.

tion of the estates of *émigrés* and by the conquests of the Republic. Ramel estimated their total value under the Directory at 3,300 million francs, but this is an under-estimate.¹ According to the figures given by him the actual value of the property purchased by the assignats was 1,500 million;² but the price assessed to be paid in assignats was 7,483 million. From 28th Ventose of the year IV to 20th Fructidor of the same year, 611 millions of property, actual value, and rentes capitalized at 30.5 million were sold for scrip and money.³ The capital value of the public debt payable under the Directory was estimated by Ramel at 1,304 millions, capital value,⁴ or twelve and a half millions in rentes, of which the greater portion was paid off during the period of depreciated paper money.⁵ To this payable debt, the liquidation of the old régime, was added all arrears of the Revolutionary period. Calculating the capital value of the rentes in perpetuity, of the life annuities and of the pensions, Ramel placed the total debt at about six milliards.⁶

¹ Ramel's estimate is partly conjectural and rests on the supposed real value of the properties, not upon the selling price.

2,609 millions in estates sold.

340 " " " remaining on sale in the old departments.

160 " " " lying in the countries annexed on the left bank of the Rhine.

200 " forest land added to the public domain.

A deputy of the Convention, Johannot, estimated the value of the National estates in France in the greatly depreciated paper of the time at sixteen milliards.

Eschasseriaux, in the year IV, estimated for the Conseil des Anciens, the value of the crown and ecclesiastical properties at 3,195,000,000, and the estates of the *émigrés* at 2,058,000,000, making a total of 5,253,000,000 specie; these figures are about the same as those which are based upon the estimates made at the restoration of the *émigrés* with regard to one milliard's worth of property. (See *Les Finances de l'ancien régime et de la Revolution*, by M. RENÉ STOURM, vol. ii. p. 445 *et seq.*)

² The number of sales was 857,034.

³ The number of sales was 104,719.

⁴ The chief items were: Payments of judicial and ministerial officers, the *fonds d'avance*, civil and military guarantees and commissions, and arrears of departments.

⁵ RAMEL stated that in the year VI 1,164,000,000 in capital (717,000,000 of which were in assignats) and about eleven millions in rentes, were paid off.

⁶ 5,817,000,000, according to the documents which he had collected during his ministry.

Only a portion of this debt was comprised in the *Grand-livre* created by the Convention (Act of 24th August, 1793); this law consolidated the permanent debt, but without really improving the position of the holders of *rentes*, who were, for the time, paid only irregularly and by small installments. They were paid in *assignats*, at their face value, and were obliged to submit to a deduction of one-fifth of their dues under the name of tax. A law of 21st September, 1796, allowed them, it is true, to receive one quarter of their dues in coin, but the provisions of this law could not be carried out.

A law of the 9th Vendemaire, year VI (30th September, 1797), treated creditors still more harshly. It declared that "every entry in the *Grand-livre*, whether a perpetual or a life annuity, liquidated or to be liquidated, should be paid off to the extent of two-thirds of it, one-third being retained on the *Grand-livre*." Payment was in fact made, but in paper which had practically no value¹, and the "consolidated third," as it was called, was entered in a new *Grand-livre* and was not paid in anything but paper until 1801. It was in fact a repudiation to the extent of two-thirds, which reduced the *rentes* in perpetuity to 43.5 millions, and the life annuities payable by the State to perhaps² a score of millions.

IX.

SOME CONCLUSIONS.

We have given a brief account of the course of events. We ought in concluding to indicate what is the responsibility of those who participated in these events, and what lessons Financial Science may draw from this gigantic experiment.

I. It is an error to suppose that everything of value may be used as money or even as security for a medium of exchange. Land, although regarded by the Physiocrats as the most stable of all property, is entirely unsuited for monetary purposes; for, since it

¹The bonds of the two-thirds were for a time receivable in payments for public lands; under the Consulate they exchanged for *rentes* at the rate of 2000 francs for 5 francs in *rentes*.

²The exact figure is not known.

cannot be transported or divided at will, as the precious metals can, the note representing it cannot be redeemed with ease; and it is unsuitable because the great majority of note holders do not wish to become purchasers of land.

2. Paper drives out specie. Thus metallic money disappears, or becomes so rare, when paper money is issued in excess, that it can be bought only at exorbitant prices; this phenomenon manifests itself in a depreciation of the paper, in an abnormal rise in prices, and in a general disturbance of circulation.

3. A majority of the men of the Revolution were mistaken in this respect, and they were confirmed in their error by the belief that the issue of assignats would assure the sale of the public lands and that that sale would assure the triumph of the Revolution.

4. The heaviest responsibility rests upon the Constituent Assembly, which cut out of whole cloth a medium of exchange answering to the popular belief,—the illusory belief in a stable money. The Assembly, admitting that it was a resort to an expedient, might have used some prudence in meeting the running expenses until taxes began to yield an income, without throwing into circulation millions of assignats to discharge the payable debt; this payment might have been made provisionally in certificates not to be circulated as money.

5. The Legislative Assembly and the Convention, finding the Treasury empty and the sole resource at hand the assignats, used that resource; as they were unable to collect taxes, and as they had to carry on war against a European coalition, no other course was open to them, and they are not culpable on this head.

6. But while paper money is a mark of poverty, it creates an illusion of wealth and incites to prodigality. When it is only necessary to put into operation a few printing presses in order to raise millions, a government is not bound to manage so carefully in order to keep expenditures within receipts. Moreover, a government which issues paper cannot regulate the quantity according to the needs of exchange because it has no standard by which to measure those needs, while metallic money, thanks to foreign

trade, distributes itself automatically in response to the needs of exchange. If the Assembly expended in one year nearly one milliard in assignats, worth in coin about 750 million, the Convention in three years issued 22 milliards, which may be roughly estimated as worth more, probably much more, than four milliards,¹ not including receipts from loans and from taxes in paper or in kind. There was also some waste, especially after the assignats came to be issued without authorization by decree, and at the same time great confusion; for many employes of the government or of the municipalities were poorly paid or not paid at all, and it became necessary to grant them aid in kind.

7. The government complained a good deal of stock-jobbers. Speculation ran high. The blame, however, rests upon the government which fostered speculation by its issues of assignats and of various other kinds of paper, and by frequent changes in measures relative to the purchase of land.

8. The Convention is responsible for the tyrannical laws by which it laid violent hands on the circulation and on property: demonetization of the royal assignats, the forced loans, proscription of metallic money, the "maximum"-law. Experience has shown that if fear of the scaffold can suspend for a time the fall of a depreciated currency, by arresting the whole movement of a nation's economic life, such reprehensible means simply dam up the evil which they appear to remove and bring on a more headlong fall.

9. The Directory was justified in wishing to free itself once for all from the assignats. It was wrong in persisting in the

¹ Computed on figures of issues and of circulation given by Ramel, there were issued (in milliards of francs):

2.7 prior to Floreal, year II.

0.7 prior to Pluviose, year III.

0.6 from Pluviose to Messidor.

0.1 from Messidor, year III to Brumaire, year IV.

4.1

As the public accounts usually assign to the assignats their face value, or at least a value higher than the market value as quoted on the Bourse, the real expenditures would greatly exceed four milliards.

fundamental error of believing that the assignats might be replaced by land scrip.

10. The Directory committed a still graver wrong in discharging its paper money obligations by repudiation. The resorts which the government provided for the assignats and scrip were not sufficient, and some milliards remained in the hands of holders as worthless paper. These milliards of assignats, it is true, were worth several hundred millions of francs on the Bourse; but commonly holders had received them in payments made at different times, and had received them at various rates and not from the Bourse; holders should have been assured of indemnification at some fixed rate, even if nothing better than certificates of rente. Repudiation, an evil in itself, weighed upon the credit of France and upon the political fortune of the Directory down to the *coup d'état* of the 18th Brumaire.

11. It has been said that the assignats achieved the successful issue of the Revolution. It is true in one sense; for several years paper money was almost the only resource, and upon it the administration subsisted and supported the war which was terminated, to the glory of the Republic, in 1797, by the treaty of Campo Formio. But the same ends might have been attained just as surely and with less hardship for the government and the people, if the legislatures, knowing the nature of paper money, had used it only so far as was strictly indispensable.

12. No government can confidently declare that it will never resort to the expedient of paper money. France made its first experiment, an altogether futile one, at the time of Law's system; a second, necessary but carried to excess, at the time of the assignats; a third and a fourth, in 1848 and 1870, when the notes of the Bank of France were made legal tender, experiments which, as they were conducted with prudence and based upon a sound credit, were entirely successful, and have not involved any sensible depreciation. Many other states have been obliged at one time or another to resort to paper money, and even today there are states under a régime of paper currency, some of them bearing it without much difficulty, while others suffer greatly.

The United States, during her war of Independence, that is, twelve years before the French experiment, found herself in a situation analogous to that of France.¹ The Americans, like the French, had suffered from lack of credit, from an enormous rise in prices, from reverses of fortune, and they, too, condemned and punished stock-jobbery. When, at the end of the year 1779, the issue of "Continental bills" had reached the limit fixed on September 1, \$200,000,000 (the issue, however, had already reached a total of \$241,500,000), paper depreciated by 97 per cent. In 1780 Congress determined on a new issue of paper, to replace the old at the rate of 20 dollars for one dollar; then, as depreciation continued, at the rate of 40 dollars for one dollar (March, 1780). But discredit fell upon the second issue as upon the first; conversion took place to a very slight extent; the new notes did not circulate widely, and before the end of 1781 the new paper had disappeared from circulation, cancelled in the hands of the holders. "Like an aged man," said Ramsay, "expiring by the decay of nature, without a sign or a groan, it gently fell asleep in the hands of its last possessors."

At the same time the states issued some 209,500,000 dollars in paper of various kinds² and anarchy held complete sway in monetary matters down to the time of the adoption of the Constitution, when uniformity was introduced into the currency and the states of the Union forbidden to issue paper money.

The United States made a second experiment at the time of the War of the Rebellion. An act dated 25th February, 1862, authorized the first issue of paper money, "legal tender notes," vulgarly, "greenbacks," to the amount of \$150,000,000, which amount was raised by successive acts to \$450,000,000 in 1863. As notes paid into the Treasury might be reissued, \$1,650,000,000 were paid out by the Treasury without there being at any time more than \$449,500,000 outstanding. These notes depre-

¹ See the *résumé* of the situation at that time in *Money*, by FRANCIS A. WALKER, p. 326 *et seq.*

² There were in the Massachusetts Building at the Exposition at Chicago some curious specimens of bills of credit circulated at that period.

ciated at one time by 65 per cent. of their face value ; depreciation was relieved by the successful issue of the war and by payments on the debt ; the notes returned to par ; in 1879 specie payment was resumed, and there remained in circulation only \$346,500,000.

It is precisely because no state is now threatened with immediate dangers such as those undergone in the past, that it is desirable to point out to those who administer the government the experience of history, and to impress upon the minds of all who, by writing, speech or action, are in a position to influence the direction of public affairs, the conviction that paper money is of itself an evil, that it should be resorted to only to avoid a greater evil, that it ought, therefore, always to be issued sparingly and be suppressed as soon as possible, and that for the honor and credit of the country, as for the good of commerce and for the sake of justice, it ought not to be repudiated.

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